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MECHANISMS PURSUANT TO ARTICLES 6, 12 AND 17 OF THE KYOTO PROTOCOL

Plan for facilitating capacity-building under decision 7/CP.4: an initial framework

Note by the secretariat

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I. INTRODUCTION

1. The Conference of the Parties (COP), at its fourth session, requested the secretariat to prepare, for consideration by the subsidiary bodies at their tenth sessions, a plan for facilitating capacity-building in developing country Parties, especially the small island States and the least developed amongst them, for project activities under the clean development mechanism (CDM), and for facilitating the participation of Parties with economies in transition in the other mechanisms (FCCC/CP/1998/16/Add.1, decision 7/CP.4, para. 4).

2. This request was one element of decision 7/CP.4, which outlines a work programme on mechanisms, including the list of elements in the annex to that decision, to be undertaken with priority given to the clean development mechanism and with a view to taking decisions on all the mechanisms under Articles 6, 12 and 17 of the Kyoto Protocol at COP 6, including, where appropriate, recommendations to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its first session (COP/MOP 1) (FCCC/CP/1998/16/Add.1, decision 7/CP.4, para.1).

3. The work programme on mechanisms is part of the Buenos Aires Plan of Action which stressed the need for increased capacity-building in several areas, reflected in decisions on activities implemented jointly (AIJ) under the pilot phase (decision 6/CP.4), additional guidance to the operating entity of the financial mechanism (decision 2/CP.4), development and transfer of technologies (decision 4/CP.4) and initial national communications from Parties not included in Annex I to the Convention (decision 12/CP.4).

4. The plan for facilitating capacity-building related to mechanisms is, therefore, one element of a larger effort to enhance the capacity of Parties and actors at the national, regional and international levels to address climate change issues. In elaborating approaches to capacity-building in any one of these areas, it should, therefore, be borne in mind that benefits can be derived from drawing thematic linkages - for example between capacity-building for effecting CDM project activities, the identification of mitigation and adaptation options in the context of national communications and technology transfer - and from coordinating activities so that maximum use is made of scarce resources. Parties may wish to consider, at an appropriate time, the elaboration of a consolidated approach to capacity-building across all areas addressed in the Buenos Aires Plan of Action.

5. The secretariat considers the following to be an initial framework for systematically discussing capacity-building related to the mechanisms and for identifying initial action to be taken. It is not yet a full-fledged plan which would spell out functional, operational and institutional requirements for facilitating CDM project activities in developing countries, and the participation in Article 6 projects (joint implementation (JI)) and in emissions trading of Parties with economies in transition as spelled out in decision 7/CP.4.

6. This initial framework reflects the fact that the rules, modalities and guidelines for the mechanisms under Articles 6, 12 and17 will only be decided at the Conference of the Parties, at

its sixth session (COP 6), in the year 2000: capacity-building prior to COP 6 would mainly entail activities which raise awareness on the economic and environmental implications and assist in the elaboration of design options for each of the mechanisms. After COP 6, once the rules have been agreed upon, Parties may wish to shift capacity-building activities towards practical implementation issues and to the review processes. Capacity-building regarding the CDM may be undertaken with priority, as certified emissions reductions derived from CDM projects could be obtained starting in the year 2000.

7. The requirements for capacity-building related to the mechanisms at the national, subregional, regional and international levels are large involving a wide range of actors. The issues are often new and perceived to be complex. In order to make best use of available resources, expertise and experience for addressing the vast task at hand, Parties had, through decision 7/CP.4, called upon United Nations agencies, intergovernmental and non-governmental organizations to make relevant contributions to the intergovernmental process. In this context, the secretariat had, therefore, taken the initiative to invite UNCTAD, UNDP, UNEP and UNIDO to develop a coordinated approach based on the comparative advantage of each agency.

8. Finally, views expressed by Parties in submissions and initial comments by experts on a draft of this framework, presented on the occasion of the Technical Workshop on Mechanisms, held in Bonn from 9-15 April 1999, provided valuable inputs for further elaborating this document. Further inputs from Parties and other actors will be needed to develop this initial framework for discussion into a comprehensive plan for facilitating capacity-building related to the mechanisms.

II. ISSUES AND ACTORS

9. A broad range of human and institutional capacities will be needed by Parties and other actors to effectively participate in the design, development and operation of the mechanisms. A few examples may illustrate the scope of the challenge: Parties, particularly those wishing to participate in the mechanisms, will be faced with a series of technical and methodological issues on which experience has so far been limited and for which practical solutions need to be found. The determination of baselines and additionality for CDM and Article 6 projects (JI) are cases in point. For many Parties, non-Annex I and Annex I Parties alike, the required capacities are not readily available. In addition, operational requirements, such as those for the CDM, imply new development-oriented partnerships where the private sector may play a strong innovative role. Institutional support structures will need to be identified and strengthened.

10. While it may be possible to build, in some cases, on experiences and structures developed during the pilot phase of AIJ, it needs to be recalled that the range of those projects was limited. Even Parties with comparatively broad experience may, therefore, require substantial additional capacity - technical and managerial - to benefit from the project-based mechanisms under Articles 12 and 6. Such capacity-building is all the more required among Parties without activities implemented jointly and with no or limited experience in carrying out greenhouse gas (GHG) mitigation, but also adaptation, projects.

11. Regarding emissions trading under Article 17 of the Protocol, it should be noted that its rules, modalities and guidelines, including design issues such as the tracking of emission reduction units, compliance and liability, are to be decided by the Conference of the Parties. All Parties will, therefore, need to be conversant with the options in this regard. In addition, those Parties with economies in transition wishing to participate in emissions trading may perceive a need for capacity-building with regard to legal and operational requirements as well as the analysis and the management of its economic aspects. Existing institutions may need to be prepared for this unfamiliar challenge.

12. The mix and balance of relevant activities may, therefore, differ among the mechanisms as a function of Parties' needs, the nature of their involvement and design features. For example, while being engaged in the designing of all mechanisms, Parties not included in Annex I may become operationally active only in the CDM.

13. The initial framework shown in the table below presents a structured approach to capacity-building related to the mechanisms by linking actors and issues. The latter range from awareness-raising and support for the elaboration of design options for each of the mechanisms before COP 6 to operationally-oriented capacity-building for the implementation and review process after COP 6.

Table. An initial framework

Phases		Actors / Issues	National		Subregional and regional	International community
			Non-Annex I Parties	Annex I Parties		
			Government - Central - Local Business NGO	Government - Central - Local Business NGO	IGO NGO	UNFCCC UN, specialized agencies IGO NGO
pre-COP 6	Design	Awareness-raising				
		Elaboration of options				
post-COP 6	Implementation	Early implementation				
		Operationalization				
		Review				

NGO = non-governmental organization;
IGO = intergovernmental organization

14. The framework reflects that Parties are seen to be the principal actors in the effort to build capacities for the participation in the mechanisms. The extent of engagement of stakeholders such as of central or local government or the business and non-governmental organization communities, will depend on national strategies and priorities as well as on the provisions for for each of the mechanisms. Other actors include subregional and regional governmental and and non-governmental organizations as well as the international community. The latter may render support on specific issues and in accordance with the priorities established by the intergovernmental process.

15. This general framework could be applied to each of the mechanisms under the Kyoto Protocol to illustrate how actors may get involved and can interact in order to maximize the effectiveness of capacity-building. If a Party uses this framework for performing an analysis of its capacity-building requirements, the 'issues' column would need to be further disaggregated and tailored to fit national characteristics. An illustrative example for a capacity-building framework for the clean development mechanism is given in annex II.

16. While the framework above covers capacity-building issues before and after COP 6, i.e. during the design and implementation phases, capacity-building activities prior to COP 6 should - given the absence of rules - mainly be geared towards the requirements of the design phase and facilitate the participation of Parties therein. In setting this premise, it needs to be borne in mind, however, that, while the rules of operation for the mechanisms are not yet determined, the rule-setting - and thus the capacity needed for the design phase - need to be informed to some extent by the anticipated, likely requirements of the operational phase.

III. CAPACITY-BUILDING PRIORITIES BEFORE THE SIXTH SESSION OF THE CONFERENCE OF THE PARTIES

17. Issues, requirements and priority activities related to the raising of awareness and the requirements for elaborating design options for each of the mechanisms before COP 6 are identified below. Action taken by Parties may be supported by actors at regional and international levels provided resources are available for facilitating such capacity-building efforts.

Awareness-raising

18. The effectiveness of the design - and later of the operation - of the mechanisms is likely to depend on the level of awareness at the highest political level as well as among the range of actors. National governments may assume a variety of important roles in this respect. One such role could be to identify or establish a dedicated national unit, e.g. an institution or an individual expert, as the focal point for issues related to the mechanisms under the Kyoto Protocol. Experience from the AIJ pilot phase suggests that such a unit can be crucial for attracting project-related investment by functioning as a "single window" for information on technical and process issues. It could also be the focal point for promoting capacity-building, organize technical seminars for stakeholders to share experiences and lessons learned, and, at the same

time, gather their inputs for the development of design options. Such stakeholders could include public and private sector entities (e.g. central and local government agencies involved in development finance and investment; and local and transnational companies, business and industry associations) as well as non-governmental organizations (e.g. in the environment and development area; and trade unions). They may be operating at local, national, subregional, regional and international levels.

19. Some examples may indicate the range of awareness-raising activities for the various mechanisms: for the CDM or JI, an initial national information seminar could raise key issues of a technical nature (e.g. on baselines and additionality, reporting and certification) and provide updates on the intergovernmental process and its requirements. Participants may include representatives from those parts of the private sector which are assigned priority in the national development plan, from local governments and non-governmental organizations, from the certifying industry and from national authorities likely to be involved in the approval process for project activities. A national World Wide Web site could be a useful tool for raising awareness and exchanging information.

20. Regarding emissions trading, awareness-raising activities may be important for enhancing public understanding of the intricacies and challenges of such a regime. In addition, technical training in finance, exchange and broker operations may be needed to facilitate the participation of all eligible Parties in the design of emissions trading pursuant to Article 17.

21. In support of national activities, subregional and regional actors, e.g. intergovernmental and non-governmental organizations, could generate knowledge and provide platforms for distributing and exchanging information specific to their region. They could also play an important role in facilitating national activities by providing, upon request, resource persons with technical and institutional expertise. The use of communication technologies such as the Internet could not only support the dissemination of information, but also assist in capacity-building at regional level through the creation of networks of experts and institutions.

22. The international community could facilitate these awareness-raising efforts through the development of standard reference materials. Previous experiences, including the AIJ pilot phase, have demonstrated the importance of common terminology and definitions. Modular information products, such as information kits on design options (pre-COP 6) and on implementation modalities (post-COP 6), could be provided to national focal points for the Convention and to other users. Other means for facilitating capacity-building include regional workshops; networks promoted by United Nations agencies, intergovernmental and international non-governmental organizations; dedicated World Wide Web sites; and the provision of ad hoc advisory services upon request.

Elaboration of options

23. The private sector, non-governmental organizations, local governments and other potential stakeholders in the national process could be involved in identifying options for the

designing of the mechanisms. In the case of the CDM, they could provide inputs on methodological issues, such as baselines and additionality, and on monitoring, reporting, verification and certification procedures. Governments could assist this process by disseminating information which is available internationally. The early involvement of actors in the design stage may significantly facilitate their subsequent engagement in the implementation phase of the mechanism.

24. In designing the adaptation component of the CDM, countries within the same region or with a similar vulnerability profile may collaborate in developing suitable common approaches. The exchange of information between regions and among subregions may facilitate learning, reduce duplicative experimentation and promote the diffusion of options with multiple benefits. These cooperation efforts could provide input to the development of the modalities for accessing the funds generated by the share of the proceeds under the CDM.

25. Regional and subregional actors, for example a centre specializing in any of the mechanisms, could provide, upon request, experts from a regional roster and access to their knowledge base containing state-of-the-art research results. They could also further develop the information kits and tailor them to suit national and regional characteristics.

26. In addition to technical workshops, permanent expert groups at regional level on each of the mechanisms may be useful to help Parties within that region to formulate guidelines, rules and operational modalities and thus to inform the decision-making at national as well as international levels.

27. The international community could assist regional and subregional actors in expanding their technical knowledge base. Especially in the area of adaptation, the international community could also facilitate cross-regional exchanges.

IV. RESOURCES

28. Given the wide range of activities and actors involved, it is not feasible to present an overall assessment of required resources. Activities identified in this framework, linking actors and issues, could be taken up at various levels prior to COP 6. A multitude of stakeholders and proponents from local to global levels may be involved and the scope and nature of activities may vary among and between mechanisms. They could be activities dedicated solely to the mechanisms or related/attached to capacity-building in areas such as technology transfer.

29. As resources become available, they may be drawn from public and private sources, from bilateral and multilateral funds. Parties may wish to invite contributions to the various capacity-building efforts which they themselves and/or other above-mentioned actors may undertake.

30. It is, however, a primary objective of this initial framework for a plan for facilitating capacity-building related to the mechanisms to promote the avoidance of duplication of effort

and utmost use of scarce resources. A schedule for possible capacity-building activities related to the mechanisms until the end of the year 2000 is, therefore, contained in annex I to this document. This schedule seeks to contribute to the rational planning of events and products in support of capacity-building.

31. In this context, Parties may wish to note that the secretariat has invited UNCTAD, UNDP, UNEP and UNIDO to coordinate their activities in this area. This effort has resulted in a first project proposal for 1999-2000 for capacity-building related to the CDM. Its components include enhancing the knowledge base, developing prototype projects for case studies in developing countries, as well as general awareness-raising, training and information activities. This proposal is being submitted to potential donors interested in funding its implementation.

32. Parties may wish to contribute information on their own activities at bilateral, subregional and regional levels and invite relevant contributions to their capacity-building efforts from United Nations agencies, intergovernmental and non-governmental organizations.

V. PROPOSED ACTION

33. Parties may wish to consider:

(a) The desirability of integrating capacity-building related to the mechanisms into a consolidated approach to capacity-building across all areas addressed in the Buenos Aires Plan of Action; and

(b) The scope and objectives of capacity-building activities for the pre-COP 6 design phase, such as the need for a global workshop and regional workshops between COP 5 and COP 6 aimed at raising awareness and at strengthening the capacity to develop design options.

34. For the further elaboration of a plan for facilitating capacity-building related to the mechanisms, Parties may wish to submit views and/or information on:

(a) Priority needs regarding capacity-building for the mechanisms, indicating, as appropriate, possible linkages to capacity-building efforts in other areas; and

(b) Relevant ongoing and completed capacity-building activities at national, subregional and regional, bilateral and multilateral level.

35. Parties may wish to request the secretariat to:

(a) Elaborate further on a plan for facilitating capacity-building for the mechanisms, based on submissions by Parties, to be considered at the next session of the subsidiary bodies;

(b) Continue its efforts to promote the coordination among relevant UN agencies; and

(c) Develop, in cooperation with other actors, modular information kits, as described above, as well as promote a network for developing a knowledge base on design options for the mechanisms.

Annex I

PROPOSED SCHEDULE OF ACTIVITIES FOR FACILITATING CAPACITY-BUILDING

Month/ Year	National	Subregional and regional			International Community			Information/ training products
		CDM	Article 6	ET	CDM	Article 6	ET	
6/99 SB 10					CC:FORUM on CDM	CC:FORUM on JI	CC:FORUM on ET	
7/99								
8/99								
9/99								
10/99								Info Kit, Version 1
11/99 COP 5					CC:FORUM on CDM	CC:FORUM on JI	CC:FORUM on ET	
12/99								Info Kit, Version 2
1/00		WS (UN agencies/ UNFCCC)	WS (UN agencies/ UNFCCC)	WS (UN agencies/ UNFCCC)				
2/00								
3/00								
4/00					WS (UNFCCC)	WS (UNFCCC)	WS (UNFCCC)	
5/00								
6/00 SB 12					CC:FORUM on CDM	CC:FORUM on JI	CC:FORUM on ET	
7/00								Info Kit, Version 3
8/00								
9/00								
10/00								
11/00 COP 6					CC:FORUM on CDM	CC:FORUM on JI	CC:FORUM on ET	
12/00								Info Kit, Version 4

CDM = clean development mechanism; ET = emissions trading; JI = joint implementation;
WS = Workshop; UN agencies= United Nations agencies (UNCTAD, UNDP, UNEP, UNIDO, as appropriate)

Annex II

EXAMPLES OF CAPACITY- BUILDING FOR THE CLEAN DEVELOPMENT MECHANISM

Phase /Issues	Capacity-building needs	Activity / information - training products	Beneficiaries / actors
pre-COP 6/Design			
Awareness-raising	Increase awareness of climate change issue	Global, regional workshops	Policy makers, senior executives of private sector, non-governmental organizations
	Increase awareness of CDM	Subregional, national workshops	Technical experts of public and private sectors, non-governmental organizations
	Expand information on potential partners	Website, bulletin board	Project developers, investors (public and private)
Elaboration of options	Technical training on options regarding methodological issues (baselines, additionality, certification, etc.)	Modular information kit	Technical experts of public and private sectors, non-governmental organizations
post-COP 6 / Implementation			
Early implementation and operationalization	Application of technical guidelines for: - baselines - sustainable development benefits - project validation, reporting and certification - adaptation	National workshops, modular information kit	Policy makers, project developers and operators (public and private), non-governmental organizations, local governments
	Information on project finance options	National workshops, modular information kit	Policy makers, project developers, non-governmental organizations, local governments
	Information on national and international investment law in relation to the CDM	Regional and national workshops	Policy makers, project developers, non-governmental organizations, local governments
Review	Structure for monitoring and evaluating implementation	Subregional and regional workshop for comparing experiences	Policy makers, technical experts, project developers and operators

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